Centre for WTO Studies
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Policy Brief

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Assessing the Export Potential of India's Next-Generation FTAs

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Introduction

India's first generation of Free Trade Agreements (FTAs), signed primarily between 2000 and 2010, were driven by its "Look East" policy and concentrated on East and Southeast Asian economies, including South Asian Association for Regional Cooperation (SAARC), the Association of Southeast Asian Nations (ASEAN), Japan, and Republic of Korea (South Korea). These agreements largely focused on reducing tariffs on goods, with limited provisions for services and little emphasis on addressing non-tariff barriers. The strategic intent was to integrate India into the manufacturing-led supply chains of East and Southeast Asia, regions that were emerging as global production hubs. To some extent, India succeeded in creating backward linkages—sourcing inputs and intermediate goods from these regions. However, it failed to establish forward linkages, that is, embedding Indian outputs into global value chains for re-export. This limited integration on the forward end may have contributed to India's weak export performance under these FTAs. Moreover, India's trade dynamics with these partners were constrained by low economic and trade complementarity and India's relatively high Most Favoured Nation (MFN) tariff rates.

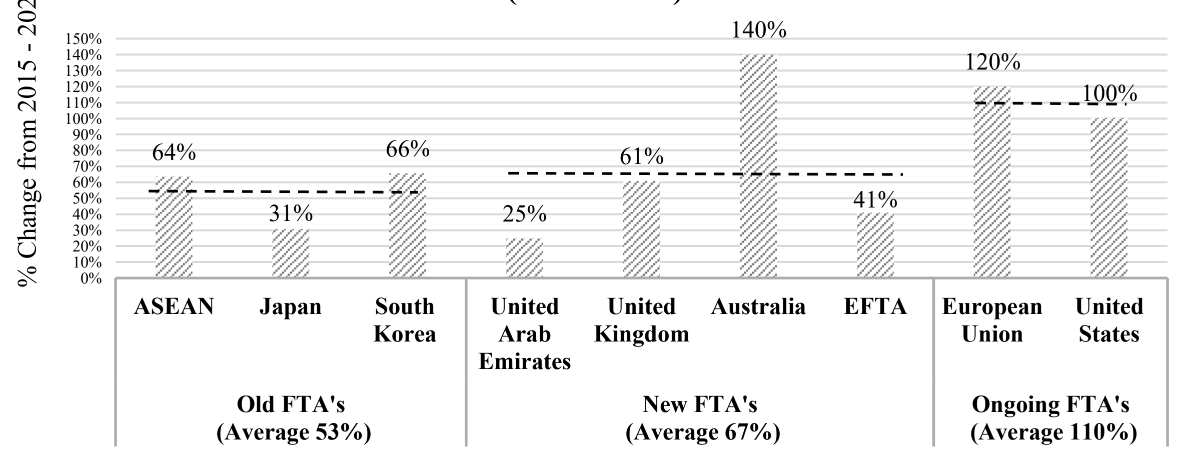
In contrast, India's recent FTAs mark a shift in both strategy and scope. Starting with the India-UAE CEPA (2022), the India-Australia ECTA (2022), India-EFTA TEPA (2024), India-UK

CETA (2025), and the ongoing negotiations with the EU, and United States—signal a more comprehensive approach. These agreements are primarily being pursued with India's traditional export destinations in the West, rather than competitors in Asia, offering better alignment with India's comparative strengths.

Shift in the Exports Equation: Better Prospects with New & Proposed FTAs

Despite having FTAs in place with East and Southeast Asian nations for over a decade and a half, India's export growth to these older partner countries has remained relatively modest. These agreements have failed to deliver the expected export momentum, even with significant tariff concessions. In contrast, a closer look at India's recent trade patterns with new & proposed FTA partner reveals a notable trend. Exports to these countries have grown at a much faster pace. This divergence underscores the greater synergy between India's export capabilities and the demands of its newer FTA partners. Moreover, the trade balance with these countries is more stable and less skewed, suggesting that these relationships are not only deeper but also more sustainable. Data illustrated in Figures 1 and 2 from recent analyses clearly point to stronger export performance and healthier trade dynamics with the new and prospective FTA partners—offering India a more promising path toward export-led growth.

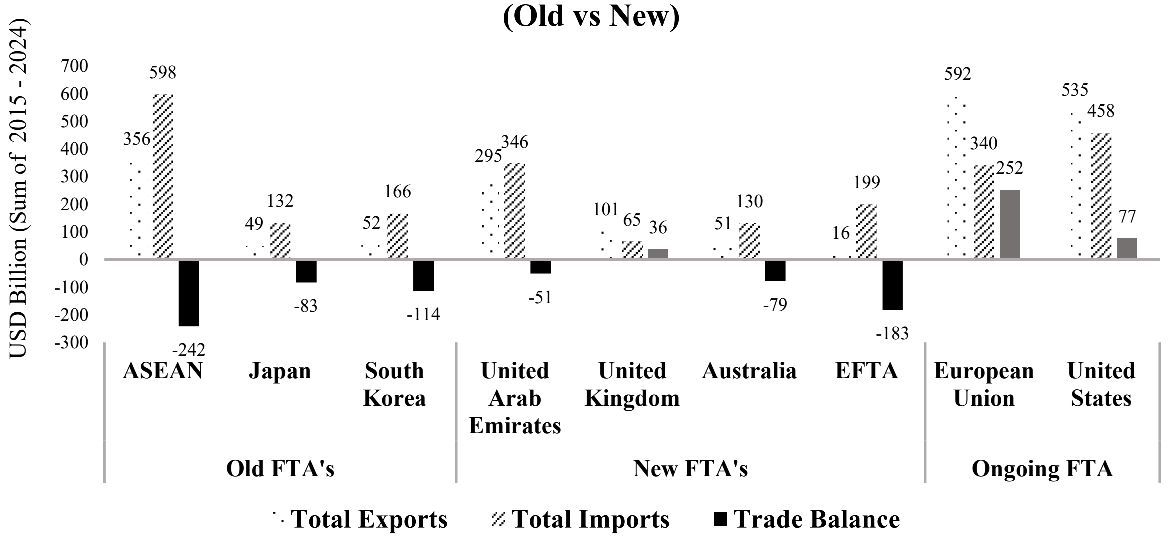
Figure 1: % Change in Exports of India with Key FTA Partners (Old vs New)



Source: Authors compilation based on ITC Trade Map Database

The data shows that India's older FTAs—despite being fully implemented and covering most product lines—have yielded modest export growth, averaging only 53% between 2015 and 2024 (e.g., ASEAN 64%, Japan 31%, South Korea 66%). In contrast, newer FTAs with markets such as the United Kingdom (61%) and Australia (140%) have averaged 67% growth, while ongoing negotiations with the European Union (120%) and United States (100%) already demonstrate strong momentum. (See figure 1) This shift toward developed markets suggests greater export potential compared to India's earlier regional agreements.

Figure 2: India's Bilateral Trade with Key FTA Partners (Old vs New)



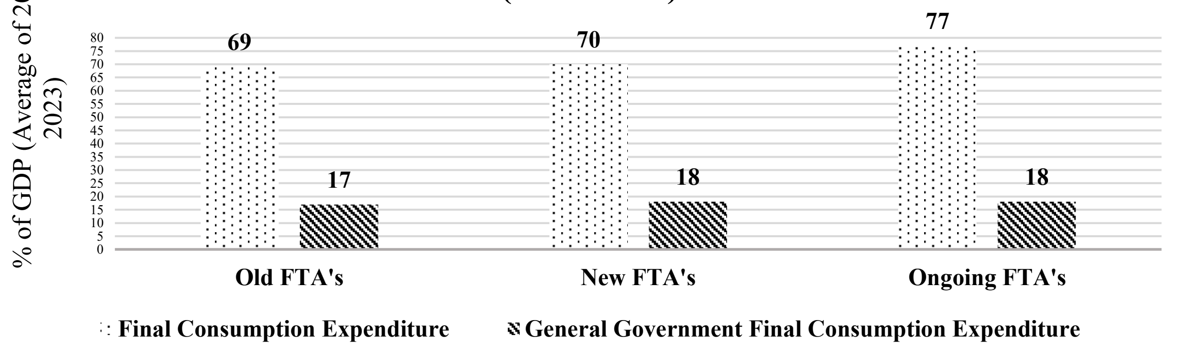
Source: Authors compilation based on ITC Trade Map Database

The balance of trade numbers (between 2015 and 2024) indicate that India's older FTAs have generally resulted in significant trade deficits, despite their long-standing implementation (See figure 2). For example, with ASEAN, India recorded a large deficit of USD –242 billion, while with Japan and South Korea, the deficits stood at USD –83 billion and USD –114 billion, respectively. In contrast, newer FTAs show relatively smaller trade imbalances or even near balance. For instance, the United Arab Emirates shows a deficit of USD –51 billion, Australia at USD –79 billion, and EFTA at USD –183 billion (still large but smaller in proportion to trade volumes compared to ASEAN). Ongoing FTAs with the European Union (USD 252 billion) and the United States (USD 77 billion surplus) reveal that these countries offer opportunities for more balanced or surplus trade relationships. This contrasts sharply with the persistent and deep deficits observed under older Asian FTAs.

The Demand Side Advantage

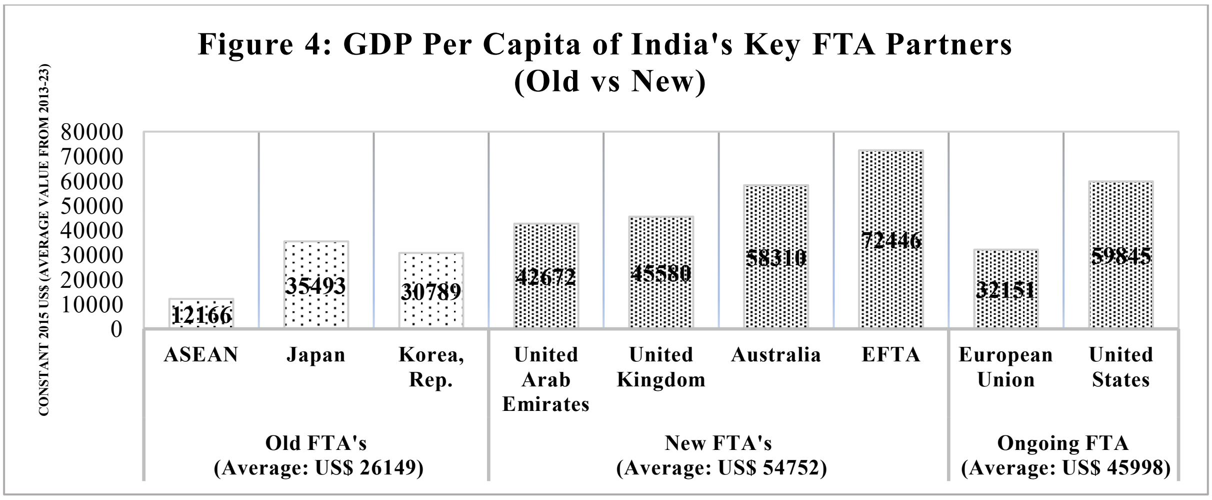
Beyond tariff structures and trade policies, the macroeconomic context of FTA partner countries also plays a crucial role in determining export potential. Here again, the newer and ongoing FTAs appear more favourable. Data from the World Bank (See Figure 3) show that the combined final consumption expenditure—both household and government—is higher in the new and ongoing FTA partners (such as the EU, UK, Australia, UAE) compared to the older ones (ASEAN, Japan, South Korea). Higher consumption levels imply larger markets with greater demand for imported goods and services, translating into bigger opportunities for Indian exporters. Moreover, per capita incomes in the new FTA countries are substantially higher (see Figure 4). Higher income levels generally correlate with a preference for quality and diversity in consumption, including imported goods and services. Indian exports—especially in pharmaceuticals, engineering goods, consumer products, and professional services—stand to benefit from such demand dynamics.

Figure 3: Final Consumption Expenditure & Government Final Consumption Expenditure % of GDP of India's Key FTA Partners (Old vs New)



Source: Authors compilation based on World Bank WDI Database

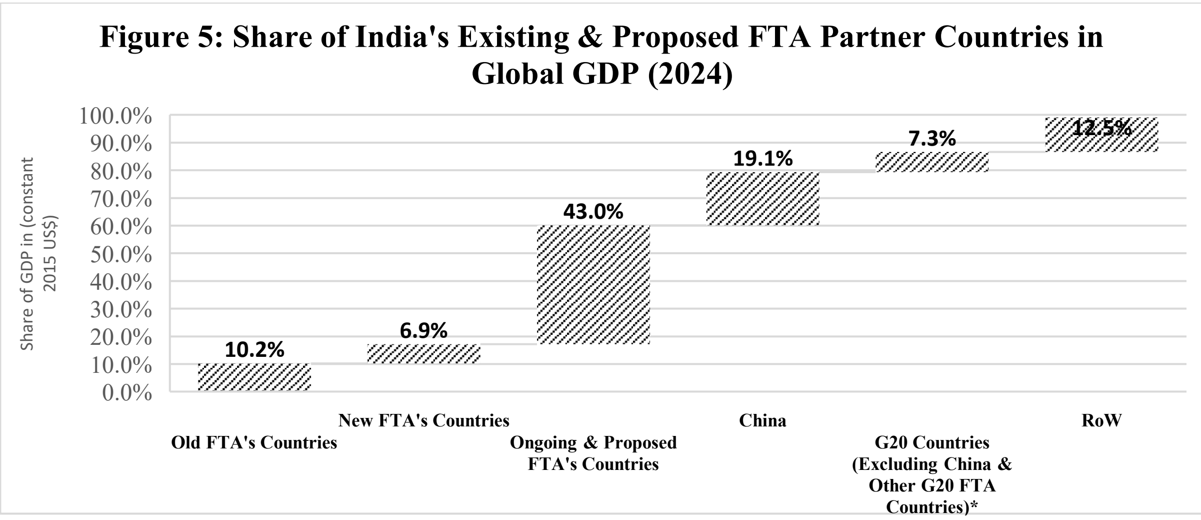
**Note: The Old FTA includes ASEAN, Japan & South Korea. The New FTA includes UAE, UK, Australia and EFTA. The Ongoing FTA includes US & EU. The EU figures are based on Eurostat data for 2023 and represent the sum of household final consumption expenditure and general government final consumption expenditure.*



Source: Authors compilation based on World Bank WDI Database

A New Trade Map for India's Export Future

In today's increasingly competitive global economy, securing reliable and substantial market access is no longer a strategic choice—it is an economic imperative. To achieve this, Comprehensive Economic Partnership Agreements (CEPAs) have emerged as vital instruments of economic diplomacy and drivers of export-led growth. These agreements not only facilitate market access but also establish clear and robust regulatory frameworks that address the demands of the modern trading environment.



Source: Authors compilation based on World Bank WDI Database

Note: 1) ***Old FTA*** *category includes ASEAN, Japan & Korea (Republic of Korea). The* ***New FTA*** *includes Australia, EFTA, United Arab Emirates, and the United Kingdom. The* ***Ongoing & Proposed FTA*** *category includes Chile, the European Union (EU28 excluding the UK), Kazakhstan, Oman, Peru, the Russian Federation, and the United States, Bahrain, Kuwait, Qatar, the Southern African Customs Union (SACU), and Saudi Arabia. 2) *Excluding China and G20 Countries that are part of India's Existing or Proposed FTA Partners*

India's earlier FTAs, provided access to only about 10.2% of global GDP. In its new wave of FTAs, India is now turning toward traditional export destinations and major global markets, particularly those within the G20 group, which collectively account for more than 85% of global GDP. India has already signed or is actively negotiating FTAs with several key G20 members—through both bilateral arrangements (such as with Australia and the UK) and regional groupings like the EU and SACU. Together, these existing and proposed FTA partners—many of which are part of the G20—represent over 60% of global GDP, a substantial leap in market potential compared to India's earlier FTA efforts (Figure 5). Interestingly, a significant portion of global GDP (19 %) is concentrated in China—a non-market economy with which India has a complex and often imbalanced trade relationship. By strategically pursuing FTAs with the rest of the G20 (excluding China), which still accounts for another 7.3% of global GDP, India not only diversifies its export destinations but also builds leverage to deal with trade challenges posed by China. For instance, India can adjust its MFN tariffs in a way that affects China more stringently while remaining WTO-compliant—without jeopardizing trade relations with its key FTA partners[1].

Conclusion: Cautious Optimism with Strategic Action

India's new and proposed FTAs appear better aligned with its export ambitions, but their true potential will depend on effective execution. Persistent hurdles—non-tariff barriers, regulatory gaps, and low utilisation rates—must be systematically tackled. Regular monitoring of FTA utilisation, coupled with active awareness drives and outreach via India's diplomatic missions, can ensure that exporters and importers fully understand and use these agreements. Rules of Origin must be precisely designed to prevent trade diversion while safeguarding India's high-value export sectors. To counter non-tariff barriers such as TBTs and SPS measures, Mutual

[1] For more detail see Banerjee, P. (2025, July). *Pathways towards a synergized trade, industrial and supply-chain policy: India's priorities and challenges* (Policy Brief No. 14). Centre for WTO Studies, Indian Institute of Foreign Trade. Retrieved from https://wtocentre.iift.ac.in/PolicyBrief/CWS_CRIT_Policy_Brief_14.pdf

Recognition Agreements should be sector-specific, clearly defined, and not left open-ended. Embedding mandatory review clauses in all FTAs will allow terms to evolve with India's changing trade priorities. By fast-tracking these agreements, Indian firms—particularly MSMEs—can secure preferential market access ahead of their competitors, while also gaining long-term regulatory certainty. Equally important is sustained government support, including measures to reduce borrowing costs, provide production incentives, enhance capacity-building, and promote digital facilitation, enabling Indian MSMEs to fully capitalize on the export opportunities these trade pacts offer.

ABOUT THE AUTHORS

	**Dr Zaki Hussain** is a Senior Research Fellow (Economics) at the Centre for WTO Studies. He brings nearly a decade of experience in international trade, trade policy analysis, industry regulation and the Indian steel sector. Having worked extensively with leading government institutions and industry bodies, Dr Hussain specialises in evaluating bilateral trade agreements, assessing trade impacts, and analysing regulatory frameworks – particularly across key sectors of the Indian economy. His research contributions include high-impact policy studies, publications in peer-reviewed journals, and collaborative projects focused on strengthening India's global trade competitiveness.
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ABOUT THE CENTRE

About CRIT

India's Foreign Trade Policy (FTP) Statement 2015-20 suggested a need to create an institution at the global level that can provide a counter-narrative on key trade and investment issues fromthe perspective of developing countries like India. To fill this vacuum, a new institute, namelythe Centre for Research on International Trade (CRIT), was set up in 2016. The vision and theobjective of the CRIT were to significantly deepen existing research capabilities and widen them to encompass new and specialized areas amidst the growing complexity of the process of globalization and its spill-over effects in domestic policymaking. Secondly, enhancing the capacity of government officers and other stakeholders in India and other developing countriesto deepen their understanding of trade and investment agreements.

About CWS

The Centre for WTO Studies which is a constituent Centre of CRIT, pre-dates the CRIT since it was created in 1999 to be a permanent repository of WTO negotiations-related knowledge and documentation. Over the years, the Centre has conducted a robust research program with a series of papers in all spheres of interest at the WTO. It has been regularly called upon by the Government of India to undertake research and provide independent analytical inputs to help it develop positions in its various trade negotiations, both at the WTO and other forums such as Free and Preferential Trade Agreements and Comprehensive Economic Cooperation Agreements. Additionally, the Centre has been actively interfacing with industry and Government units as well as other stakeholders through its Outreach and capacity-building programs by organizing seminars, workshops, subject-specific meetings, etc. The Centre thus also acts as a platform for consensus-building between stakeholders and policymakers. Furthermore, the inputs of the Centre have been sought after by various international institutions to conduct training and studies.

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